

Project Paper

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Tackling Political Corruption to Combat Illegal Logging

The rising demand for wood products has made the forestry sector a lucrative industry — and one ripe for corruption. Although 80 per cent of the world’s forests are publicly owned, there is a reliance on granting permits and concessions to cut the timber. This situation has put the public and private sector in closer interaction in a country, leading to risks of political corruption. There is a risk that through the extension of concessions to companies or passage of laws governing the forestry sector, politicians or parties may abuse their powers, acting out of personal greed or in the service of those who are willing to finance their political careers.

This can happen in different ways. Government ministers may ‘sell out’ rights to logging for personal enrichment, which is a criminal act on its own. However, exchanges might not always involve illegal transactions. Companies may buy access to — and the votes of — politicians by financing their campaigns or lobbying them to pass policies and regulations that would benefit the companies rather than the public at large.

What is Political Corruption? Examples from Asia Pacific

According to Transparency International, 'political corruption' is defined as the "manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth".¹

Drawing on an example from the Asia Pacific region, political corruption has been alleged on the part of the former president of the Philippines, Gloria Macapagal Arroyo.

Among the allegations are that the former president committed fraud to win the 2004 election, had used public money to finance her campaign in that bid, and that her husband and other government officials received kickbacks from a US \$329 million contract signed with a Chinese telecommunications company, ZTE, to construct the Philippine's broadband network.²

Honduras: The Linkages between Politics and Logging Companies

In Honduras, it is estimated that 80 per cent of mahogany and up to 50 per cent of pine - the country's main timber export - is produced in violation of government regulations. This reality is reportedly the result of a situation where timber companies are able to significantly influence key government appointees and decisions on the country's forests, furthering their own interests.⁶ A report by the national anti-corruption council observed that "political and economic interests have a large influence on the hiring and promotion of employees and forest policies".⁷ By deciding on who holds what position, companies are allegedly able to shape the preparation of timber management plans and other key activities regulating the sector.

1. Issue at stake

In resource rich countries with weak governance structures and vulnerable democracies, political corruption can lead to routinely destroying livelihoods of local communities who are dependent on those natural resources for their survival (see box). The damaging effect on communities can be long lasting and often irreparable, leading to environmental degradation and billions of dollars in losses of much needed state revenue. For example, a Human Rights Watch report on Indonesia has found that corruption in the country's lucrative forestry industry, whose companies have allegedly bribed high ranking politicians, costs the government US \$2 billion annually. It is estimated that these lost resources would be enough to provide primary health care to nearly 100 million Indonesians for two years.³

2. Manifestations

Bribery of politicians

An example from Indonesia illustrates how bribes paid to high ranking politicians can open up doors for those seeking permits to access forests. The Corruption Eradication Commission of Indonesia (*Komisi Pemberantasan Korupsi, KPK*) has investigated the former governor of South Sumatra, for his involvement in a bribery case centred on the conversion of 600 hectares of a protected forest. According to the testimonies of several witnesses, the former governor had asked a local businessman to pay him a bribe in order to facilitate the permit needed to convert these lands into a seaport. The businessman allegedly provided 5 billion rupiahs (US \$495,000) which was paid to members of the House of Representatives' Commission that oversees forestry and agricultural issues. The governor is alleged to have shared the received amount, paid in two separate instalments, with several legislators.⁴ Three legislators, two current and one former members of Congress, already have been sentenced for their involvement.⁵

Use of political contributions

Implementing a meaningful reform and achieving effective enforcement of the existing forestry laws can be difficult when the main politicians and political parties depend on funds from the forestry industry. Money is a necessary element for political parties and candidates to compete in elections. The forestry sector, by far the most lucrative industry in many countries, often turns out to be the most desirable and willing donor. It has a vested interest in gaining access to influential politicians and policy makers. Large contributions to political campaigns can allow certain industry groups and private interests to gain easier access to politicians and obtain favours from political elites once they are in power. This can involve preferential treatment by politicians when companies try to obtain licenses and concessions, or in some cases, even turning a blind eye to activities such as illegal logging in return for the political funding and support needed to win their elections.

The example of Guillermo Noriega, one of the most powerful timber barons in Honduras, shows what role money can play in policy decisions regarding a country's forests (see side bar). According to the Environment Investigation Agency (EIA), it is alleged that Noriega enjoys his position thanks to his close connections with Porfirio Lobo Sosa, the president of the country. Lobo Sosa had been president of the Honduran Congress and was previously the director of the Honduran Forests Development Corporation. It is believed that Lobo introduced Noriega to the logging business and it is well documented that Noriega has been a top contributor to Lobo's political campaigns, including his presidential bids.⁸

Lobbying and public sponsorship

The logging industry can wield influence in the forestry sector not only through political contributions to politicians but also through other means, such as lobbying and different forms of public sponsorship. Both lobbying and public sponsorship by a company, when undertaken with integrity and transparency, can be a legitimate force in policy-making. Yet the extensive funds at the disposal of private companies and the close relationship that exists between some lawmakers and regulatory agencies, can lead to distorted public policies for the sector. For example, logging companies may exert undue, unfair influence on politicians or regulatory bodies, including legislatures, to shape or reshape forest laws to their advantage.

This situation has been alleged in Papua New Guinea following the government's decision to pass controversial legislation in the form of an amendment to the country's Environment Act. The change now affords greater protections to natural resource projects from any delays that may have been caused by environmental challenges to them. The government has used its numbers in the parliament to suppress debate and has given increased powers to the Environment Department when granting permits for natural resource projects, such as mining or logging. According to the amendments, decisions by the department's director are final and cannot be subject to review by any court. This change means that traditional landowners, who control most of the land in PNG, will be unable to seek a legal recourse in the event that their land is affected by such a project. The legislation has removed penalties for companies for acts of negligence, nuisance and deliberate harm. The amendment followed an outcry from the mining industry over the legal victory scored by a group of traditional landowners against the Chinese-owned Ramu nickel mine, which wanted to construct an underground pipeline to dump tailings out to sea.¹¹

Conflicts of interest

Political corruption can also take place when politicians and lawmakers have direct or indirect financial stakes in logging. These ties, either personally or through their families, may compromise their ability to effectively regulate the industry and control corruption. An example from Cambodia shows how ruling elites can circumvent established rules and gain control of the country's timber resources, using corruption to dominate the sector as well as transforming the sector into the primary source of corruption in politics — and turning it into a force behind illegal logging. It is alleged that the largest timber syndicate in Cambodia, which is also accused of illegal logging, has close ties with the government (see side bar).

3. Recommendations

With forests disappearing rapidly, both governments and companies operating in the sector need to take a long-term view of their resources, and take informed decisions that engage all stakeholders. Opening up the decision-making process is the best way to ensure that forests and their timber resources are used sustainably. Transparency and participatory decision-making are the basis for which all other governance issues for the sector will stand or fall.

The following recommendations are an attempt to address these concerns by mitigating risks posed by political corruption. The recommended measures should be accompanied by effective enforcement of anti-bribery legislation, including the UN Convention against Corruption and regional agreements, as well as complementary initiatives to strengthen the independence and integrity of the public institutions regulating the forestry sector.

Cambodia: the Case of the Tum Ring Rubber Plantation

In 2001, the prime minister of Cambodia called for the Tum Ring rubber plantation to be setup as part of a 'rural development policy'. This decision came shortly after a moratorium on logging and transportation had been imposed, providing logging companies with an opportunity to re-start their activities. While a government survey deemed the plantation to be of little value for its wood, it actually was located in one of the largest and oldest forests in Cambodia. These forests included resin trees, which were used by locals as a secondary source of income and protected by law.

Surveillance found that these trees were being cut by logging firms inside and outside of the plantation. Fraudulent 'firewood' permits issued by the Forest Administration were used to transport the wood given the moratoria on logging. And despite the logging ban, the Minister of Agriculture authorised the construction of a mill close to the site, which contravened two laws already in place. All these developments have led some to suggest that the government was collaborating with the companies to facilitate illegal logging in and around the plantation.⁹

Further investigations, by Global Witness, found that many members of the country's most powerful logging syndicate have a connection back to the prime minister, his wife and others in government. For example, the head of the syndicate is the first cousin of the prime minister and a close friend of his wife. Another key partner in the same syndicate is the brother-in-law of the minister for agriculture, forestry and fisheries, as well as the father-in-law to the director general of Cambodia's forest administration.¹⁰

Ensure inclusive and transparent decision making processes

To moderate the influence of the logging industry and encourage democratic participation in forest governance, policy makers should facilitate open hearings on sector policies. These forums would be organised for important pieces of legislation and amendments to laws on forestry. They would include broad consultations and participatory processes to ensure that local communities' needs are studied and addressed, their inputs included and environmental sustainability issues adequately dealt with.

Limit political influence on regulatory and enforcement agencies

The allocation of equally weighted seats to all stakeholders on an agency's board would help to re-balance interests and serve as an internal check on decisions. Third-party monitoring of board activities would also help to encourage the independence of these boards or the equivalent agencies in charge of regulating the sector. Moreover, the over-lapping of mandates among agencies can arguably facilitate corrupt acts by obscuring the delegation of responsibilities (as well as blame). Consequently, a clearer demarcation of authority and mandates of all government bodies involved in regulating the sector is a necessary step forward in order to strengthen oversight and enforcement.

Empower oversight bodies

Oversight agencies, which can impartially and independently examine politicians and their policy decisions, are necessary to promote government integrity. However, they can only do their job properly, including the investigation of possible cases of corruption, if they have the mandate and are well resourced (with staff, money and know-how). These bodies require the support of all parties to carry out their enforcement activities. At the same time they must be kept free from political interference. An impartial and effective judicial system which can sanction any violations found is also a needed component for oversight bodies to work in practice.

Reduce opportunities for conflicts of interest

Regulations to prevent conflicts of interest should be enacted and enforced at all levels. These regulations must include mandatory and regular asset and interest disclosure by public officials whose positions are particularly prone to corruption. Such measures need to cover the highest ranking officials of the country, members of the government and the parliament, and the relevant forestry regulatory bodies and commissions.

Encourage companies to disclose political donations


Within the forest sector and ancillary industries, companies themselves need to and can make efforts to curb political corruption by disclosing their political donations. Tackling the problem of political corruption is in their interests as it helps to level the playing field and lower entry costs. Such efforts can also help companies promote corporate responsibility and meet the due diligence requirements of banks investing in them. In any case, stakeholders are becoming less tolerant of corrupt behaviour by companies. Companies can respond to this demand by instilling and implementing anti-bribery policies and transparent processes.¹² Disclosures by companies should not only extend to financial

contributions but also the loans of vehicles, venues and office spaces, or staff time, payment for media space or television spots, and opinion polls.

Ensure political parties disclose their funding

Companies are not the only ones responsible for disclosing their contributions to political campaigns. Political parties must equally report the financing that they receive — both in money and in-kind goods. The purpose of such regulations is not to cut off politicians and their parties from funding provided by their constituencies and supporters. Representative democracies cannot function without such backing to effectively compete in the political process. It becomes dangerous, however, when funding skews the decision-making process itself, forcing it into a particular direction which is not in the best interest of the public. Regulations that ensure transparency and accountability — through regular, disaggregated reporting — can help prevent such capture.


Control and regulate lobbying on forestry issues

While an important feature of a modern democracy, lobbying can often cross over into corruption. This can happen when vested business interests have access to policy makers and interfere in the policy-making process in ways that are not open and transparent, or beneficial to the broader public good. Safeguards for transparency and accountability in lobbying can be easily institutionalised by requiring lobbyists to publicly disclose their clients, operating areas, and financial information. In this way, undue, unfair influence in policy processes is controlled and lobbying is regulated. 

This project paper is an output of the Forest Governance Integrity (FGI) Programme.

The FGI tackles corruption as a primary driver of illegal logging and poor forest management. It looks at corruption at all stages in the timber production and processing chain and examines how it facilitates the unsustainable harvesting, production, conversion, export, import and procurement of timber and wood products.

To learn about TI's efforts on combating corruption in forestry, visit:
www.transparency.org/fqi

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